What type of financing is available?
Development Fund financing is typically provided in the form of a low-interest, amortizing loan, with terms and rates to be established according to the needs of the project and fit with underwriting guidelines. However, types of funding available include but are not limited to:
- Construction loans;
- Construction loans that convert to permanent financing;
- Low- and no-interest predevelopment loans;
- Project-related grants; and
- Capacity-building grants for both emerging and mature not-for-profit organizations.

Who is eligible to apply for Development Fund financing?
At least 50% of the Development Fund's resources must be allocated to not-for-profit corporations as defined under Section 501(c) of the Internal Revenue Code. Money that is not allocated to a not-for-profit corporation may be allocated to private developers of housing and other private development entities as determined by IHCDA.

What types of projects will the Development Fund support?
Projects eligible for consideration include, but are not limited to:
- Acquisition and rehabilitation of existing housing for sale or rent;
- New construction (single family and multifamily) for sale or rent;
- Adaptive reuse of non-residential buildings;
- Community economic development projects, including mixed-use buildings;
- Permanent supportive housing for the mentally ill, developmentally disabled, elderly; and physically disabled.

Are there any other limitations on Development Fund financing?
Under Indiana Code, rental housing supported by Development Fund dollars must be affordable to families earning less than eighty percent of Area Median Income for no fewer than fifteen years. At least half of the dollars allocated must serve very low-income households (households earning less than fifty percent of Area Median Income). Finally, at least half of the dollars allocated must be committed to non-profit organizations and their projects.

What are the rates and terms of Development Fund financing?
Development Fund loans are available at less than the prevailing commercial rate to all applicants. Loans will be secured by a first- or second-position mortgage lien, and must be fully collateralized, either by the subject real estate or by other assets acceptable to IHCDA. Funding provided to individual households is in the form of a zero-interest, non-amortizing loan due upon sale or refinancing of the property. Note that IHCDA policy is to make only fully amortizing loans; balloon payments are typically not permissible.

What has the Development Fund recently supported?
For the year ending June 30, 2008, the Development Fund invested $5.33 million in grants and $5.36 million in loans as follows (a summary of investments for the year is attached):
- $302,000 in grants for capacity-building of nonprofit organizations;
- $500,000 in loans for permanent supportive housing;
- $4.0 million in loans for creation or preservation of affordable rental housing;
- $5.4 million in loans and grants to support creation or preservation of homeownership[1]; and
- $500,000 in grants for economic development.

[1] This includes $500,000 in construction financing, $3 million in grants for owner-occupied repair, $1.5 million in grants for a targeted weatherization program in Indianapolis, and a $350,000 loan for foreclosure prevention efforts.

What types of projects are selected to receive funding?
Every project is different, but IHCDA examines three primary factors to assess the viability of projects as well as their fit with IHCDA policy goals:

*Is the **project** sound?* This dimension includes questions on:

Sources and Uses: What are the proposed sources of funding/financing and what is their status? If funding/financing is not committed, how realistic are the assumptions on which the proposed funding/financing is based? What is the basis for the development cost estimates? Is the development schedule realistic/viable? How about the lease-up schedule?

Operating Pro Forma: How were the expense numbers derived? How were the revenue numbers derived? How are the expense and revenue estimates trended over time? Are all these numbers realistic? Is the projected vacancy rate reasonable for the market and the type of project proposed? Does the sponsor plan to capitalize adequate reserves for capital needs, lease-up and operating deficits? After all these expenses, can the sponsor service the debt with a reasonable amount of cushion?

Marketing: How will the project meet a market need? If this is a for-sale project, does the sponsor have a grasp on what the actual time on market will be? Does the sponsor have a good marketing plan to sell the units rapidly upon completion? Has the sponsor budgeted for carrying costs until homes are sold?

Development Team: What are the qualifications of the development team? What is the basis for the sponsor's confidence that they will do their part in bringing the project to completion?

Security/Collateral: Is IHCDA's investment fully secured, either by the real estate or by alternative security? If this is an income-producing project, then based on Net Operating Income estimates and a justifiable capitalization rate, does the project have sufficient value to collateralize our debt?

*Is the **sponsor** sound?* This includes questions like:
- Is the sponsor in good standing with the IRS and/or the Indiana Secretary of State?
- Who will be responsible for seeing the project through to completion? What are their qualifications?
- What is the sponsor's track record in project development? How many projects has the sponsor completed? If the sponsor has no experience, is he or she working with an experienced development team who can help to complete the project?
- What is the sponsor's financial position? Does the sponsor have sufficient resources to operate so that they can complete the project? What resources can they bring to bear if financing shortfalls arise in the project?
- What is the sponsor's track record with IHCDA? Has it completed previous projects on time and within budget, or if not, is it because of factors the sponsor could not have reasonably anticipated?

Does the project fit IHCDA policy goals? This includes questions like:
- Is the project in line with our priorities for funding? For example, IHCDA's Community Services Division invests Development Fund dollars primarily if not exclusively into projects providing permanent supportive housing, which research has demonstrated is the most effective tool for ending chronic, long-term homelessness.
- Does the project help IHCDA to meet its goal of balancing investments throughout the state?
- Does the project leverage other dollars for Hoosier communities?
- Has the sponsor demonstrated the sustainability of the project, both through the adequate capitalization of reserves and through the use of high-performance materials and equipment?

What can I expect from there?

1. You should receive an application within three days of your request.

2. Your completed application with attachments will be forwarded to an underwriter, who will review your request for project soundness, sponsor soundness and fit with IHCDA policy goals. If in the underwriter's opinion, the project does not meet IHCDA standards in one or more of these areas, he will communicate that to you in writing. You will have the opportunity to adjust your request to remedy any identified deficiencies.

3. The underwriter will make a recommendation to members of an internal review committee composed of the Chief Operating Officer and Managers of Community Services, Community Development, Multi-Family and Policy/Research.

4. The internal review committee will review the recommendation and either approve the request for forwarding to the Board or deny it with or without prejudice. If it is denied without prejudice, you may re-submit a modified application. If it is denied with prejudice, you may not re-submit. You will be notified of the Committee's decision in writing.

5. Based on the internal review committee's recommendation, the underwriter will present the proposed loan to the Board. You will be notified of the date and time of the presentation, and you are welcome to attend the meeting. The Board will approve or deny the loan, again with or without prejudice.

6. If the loan is approved, the underwriter will work with IHCDA Counsel to develop loan documents, including a loan agreement, promissory note, and mortgage. You will have the opportunity to review and comment on those documents before they are finalized.

7. Once the documents are finalized, the loan may close and proceeds may be disbursed. IHCDA's preference is to work through a title company whenever possible. If the loan includes a construction component, you will submit draw requests and supporting documentation to the title company pursuant to a negotiated development schedule. The title company will secure a construction inspection of the property, complete a title report, and submit the draw request with supporting documentation to the IHCDA underwriter.

8. The underwriter will approve the draw request, approve it with changes, or deny it. If for any reason, the draw request is not approved as submitted, you will be contacted to discuss next steps. Once the underwriter approves the request, funds should be wired to your account within twenty-four hours.